

Budget Committee Report on the Village's
FY 2010 General Funds Budget

Like jurisdictions across the country, Chevy Chase Village faces the prospect of sharply falling revenues in FY 2010 and perhaps for several years beyond. Unlike most jurisdictions, the Village has built up a reserve adequate to permit services to be continued, at least for a time, at the levels we now enjoy and with no increase in the property taxes paid by Village residents.

Rather more than most jurisdictions, financial planning for Chevy Chase Village is at this moment rife with uncertainties. Most prominently, the Village's dependence on income tax revenues allocated to it by the State, and the potential exposure of our residents' taxable incomes to today's chaotic economy, defeat any attempt to project General Funds revenues with better than plus or minus 20% accuracy. Additionally, the Village's authority to continue its *SafeSpeed* Program beyond June 30 (at least in its present form) is uncertain and will not likely be resolved until the State's General Assembly winds up its business in mid-April. For this reason, preparation and adoption of a budget for use of *SafeSpeed* funds will be deferred until later this spring.

This deferral has several consequences. First and most importantly, it defers decision as to the scale and make-up of the safety-related investments (sidewalks, street lights, and the potential undergrounding of fiber optic lines for emergency and other communications) for which preliminary planning has been going forward for the past year. It also leaves open the extent to which General Fund resources may need to be called upon either in companion with *SafeSpeed* moneys (to supplement underground conduits to accommodate private fiber optic services) or to substitute for such resources to permit accomplishment of priority projects. Finally, about 10% of the Village's core staff costs are now charged to *SafeSpeed* funds, representing the time which these staff now dedicate to this set of activities. Should the *SafeSpeed* Program be terminated, adjustments will have to be made to the General Funds budget to accommodate these costs.

In the context of these uncertainties our Village Manager has developed a budget for the General Funds component of Village activities that holds tax-supported expenses 12.4% below the level initially budgeted for the current year. This budget, in the form in which it will be presented to the Board, is set out on the following page as Table 1. As the proposed budget also anticipates an even larger (18.4%) contraction in revenue, the projected FY 2010 deficit is estimated at \$470 thousand. As indicated in Table 2, we anticipate that the Village will retain a cash reserve of some \$2.3 million at the conclusion of FY 2010 to cover future year operating deficits, to mitigate the impact of unforeseen contingencies, and to finance special, one-time projects.

This projection anticipates that Village current year operations will conclude with a small (\$137 thousand) surplus rather than the roughly quarter million dollar deficit authorized in the budget for FY 2009 adopted a year ago. The favorable outcome reflects both receipts \$52 thousand (1.2%) over estimate and actions to curtail expenses in the face of expected future difficulties.

Table 1
FY 2010 General Funds Budget
Village Operations

I. Costs	Personnel	Operations	Total
A. On-going Programs			
Department Services			
Police	\$977,497	\$77,300	\$1,054,797
Communications	345,883	26,454	372,337
Public Works	558,666	357,650	916,316
Administration	510,441	387,595	898,036
Capital/Contracts	31,915	14,525	46,440
Facilities, Fleet & Infrastructure			
Village Hall	-	84,150	84,150
Parks, Trees & Greenspace	-	368,250	368,250
Streets, Walks, Drains & Lights	-	54,500	54,500
Vehicle & Equipment Replacement	-	2,500	2,500
Subtotal	\$2,424,401	\$1,372,924	\$3,797,325
B. Special Projects			
Wohlfarth Annual Payment	-	\$100,000	\$100,000
Resident Survey	-	10,000	10,000
File Room	-	12,000	12,000
Subtotal	-	\$122,000	\$122,000
Total Costs	\$2,424,401	\$1,494,924	\$3,919,325
II. Revenue			
Income Tax	-	-	\$1,800,000
Real Estate Tax	-	-	1,046,987
Investment & Misc. Income	-	-	101,389
Cost Recoveries/Grants	-	-	500,609
Total Revenue			\$3,448,984
III. Budgeted Deficit: Draw on Reserves			(\$470,341)

Note: Amounts shown for On-going Programs are authorized for expenditure. Amounts shown for Special Projects are estimates for these projects anticipated to be brought before the Board for separate action at a later date. Revenue amounts are estimates. In the event of a shortfall, the Village Manager will consult with the Board as to action in response.

Table 2
General Fund Balances and Uses
(dollars in millions)

Estimated 6/30/09 Fund Balance	\$ 4.0
Less excess of receivables over payables	<u>0.2</u>
Estimated 6/30/09 Cash Balance (investable funds)	3.8
Uses – per budget plan:	
Set aside for 6/30 – 10/15/09 operations	1.0
Proposed FY '10 deficit (draw on reserves)	<u>0.5</u>
Remainder available to cover future operating deficits, other contingencies, and capital projects as needed to supplement or supplant <i>SafeSpeed</i> Funds	2.3

A comparison of the proposed FY 2010 budget with that adopted for the current year and current estimates as to FY 2009 results are shown in Table 3. The largest variable, as always, is the revenue from the State income tax allocation, revenue which in FY 2010 will be based on taxes paid by Villagers on their calendar year 2008 incomes. The \$1.8 million FY 2010 estimate is \$1.2 million less than the record-setting amount received in FY 2008, but \$516 thousand more than was received in FY 2005, which might be characterized as the last “pre-bubble” year. We deem it impossible to know with any precision - indeed even by plus-or-minus \$600 thousand or perhaps more - what receipts will actually come in. We are even more uncertain as to the outlook for the following year.

Table 3
Summary Comparisons: FY 2009 to FY 2010 Budget
(dollars in thousands)

	2009		2010	Difference
	Initial Budget	Current Estimate	Proposed Budget	'10 v '09 Budgets
Revenue:				
Income Tax	\$2,500	\$2,637	\$1,800	(\$700)
Property Taxes	1,041	1,039	1,047	6
All Other	687	604	602	(85)
	-----	-----	-----	-----
Total Revenue	\$4,228	\$4,280	\$3,449	(\$779)
Expense:				
On-going Operations				
Dept. Services	3309	3242	3287	(\$22)
Infrastructure M&O	655	621	507	(148)
Vehicle & Equipment	162	160	3	(159)
	-----	-----	-----	-----
Subtotal Operations	\$4,126	\$4,023	\$3,797	(\$329)
Special Projects/Other	\$350	\$120	\$122	(228)
	-----	-----	-----	-----
Total Expense	\$4,476	\$4,143	\$3,919	(\$557)
	=====	=====	=====	=====
Net surplus(deficit: draw on reserves)	(\$248)	\$137	(\$470)	(\$222)

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In contrast to the income tax allocation, property taxes can be projected with confidence, as the tax rate is set by the Village Board and the assessable tax base is largely known. The budget is premised on a tax rate, which will maintain a “constant yield” of real property tax revenue. Inasmuch as assessments for many Villagers will rise this spring by 10%, the tax rate to provide “constant yield” will be reduced from the current 10.3 cents to 9.6 cents per hundred, a reduction of almost 7%.

The expense budget has been developed to continue present services and staff, but to reduce overall expense by deferring most street maintenance and vehicle and equipment purchases. Although a cost of living adjustment is proposed for Village staff, the budget reflects an expectation that costs of fuel, utilities, supplies and most contracts can be held at or below their current level. Charges to General Funds are also budgeted to be reduced by some \$135 thousand as personnel, now supported on the General Funds budget, are shifted to *SafeSpeed* funds to participate in the planned Brookville Road walkway installation and other projects - assuming that such further activities can be funded from that source.

General Funds budgets and staffing for major Village activities are set out below:

	FY 2009 <u>Budget</u>	FY 2010 <u>Budget</u>	Total '10 <u>Staff</u>	% staff costs <u>on Gen. Funds</u>
	(Thous.)			
Public Safety	\$1,063	\$1,055	14	77 %
Public Works	1,011	916	7	89
Communications Ctr.	364	372	6	98
Admin. & Project Mgt.	<u>871</u>	<u>944</u>	<u>6</u>	<u>85</u>
Total, Dept. Svcs	3,309	3,287	33	84

Further details regarding projected revenue and expenses are available on the Village website and will be provided in hard copy to any residents on request. The Committee anticipates making a further report to the Board regarding the *SafeSpeed* Program and its implications for use of the cash balances available both in General and *SafeSpeed* funds later this spring. It also plans to revisit the FY 2010 budget next November, which is the earliest that we will have any useful gauge as to the level of actual income tax receipts vis-à-vis the \$1.8 million estimate in the presently pending budget.

Submitted March 20, 2008 by S. Lawrence on behalf of the CCV Budget Committee.